

Fiscal Service, Treasury

§ 205.27

funds are credited to the Federal government's account to the day a Federal Program Agency pays out the State funds for Federal assistance program purposes. A State incurs an interest liability from the day a Federal Program Agency pays out Federal funds for Federal assistance program purposes to the day State funds are credited to the Federal government's account.

(2) Interest liability must be calculated on the difference between a State's monthly Supplemental Security Income payment and the State's actual liability for the month.

(3) The Federal government will not incur interest liabilities on refunds of State funds under the Supplemental Security Income Program.

(4) Administrative fees charged by the Social Security Administration to States under the Supplemental Security Income program are not subject to this part.

(5) Supplemental State payments made in conjunction with Supplemental Security Income are not subject to this part.

(d) *Funds collected under the Child Support Enforcement Program.* (1) Funds collected by States from absent parents pursuant to Title IV-D of the Social Security Act are not subject to this part.

(2) Interest earned by States on undistributed collections must be treated as Federal assistance program income under 45 CFR 304.50(b) and is not subject to this part.

(3) Late payment fees collected by States from absent parents are not subject to interest liabilities under this part and are not subject to this part. However, such fees must be treated as Federal assistance program income in accordance with 45 CFR 302.75(b)(6).

(e) A State that earns interest on Special Supplemental Food Program for Women, Infants, and Children rebates is not subject to interest liability if the funds earned are used for Federal assistance program purposes.

(f) *Revolving Loan Funds.* (1) This part applies to any transfer of funds from the Federal Program Agency to the State for the Revolving Loan Fund.

(2) This part does not apply to interest a State earns on Revolving Loan Funds when Federal Program Agency

regulations require that all interest earned on invested funds be used for Federal assistance program purposes.

§ 205.26 What are the requirements for preparing Annual Reports?

(a) A State must submit to us an Annual Report accounting for State and Federal interest liabilities of the State's most recently completed fiscal year. Adjustments to the Annual Report must be limited to the two State fiscal years prior to the State fiscal year covered by the report. The authorized State official must certify the accuracy of a State's Annual Report. A signed original of the Annual Report must be received by December 31 of the year in which the State's fiscal year ends. We will provide copies of Annual Reports to Federal agencies. We will prescribe the format of the Annual Report, and may prescribe that the Annual Report be submitted by electronic means.

(b) A State must submit a description and supporting documentation for liability claims greater than \$5,000. This information must include the following:

- (1) The amount of funds requested;
- (2) The date the funds were requested;
- (3) The date the funds were paid out for Federal assistance program purposes;
- (4) The date the funds were received by the State; and
- (5) The date of award.

(c) A State claiming reimbursement of Interest Calculation Costs must submit its claim with its Annual Report in accordance with § 205.27. An authorized State official must certify the accuracy of a State's claim for Interest Calculation Costs.

§ 205.27 How are Interest Calculation Costs calculated?

(a) We will compensate a State annually for the costs of calculating interest, including the cost of developing and maintaining clearance patterns in support of interest calculations, pursuant to this subpart A, subject to the conditions and limitations of this section.

(b) We may deny an interest calculation cost claim if a State does not:

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(1) Have a Treasury-State agreement with us, as set forth in §§ 205.6 through 205.9;

(2) Submit timely a Treasury-State agreement, as set forth in §§ 205.6 through 205.9;

(3) Submit timely an updated list of Federal assistance programs subject to this subpart A, as set forth in §§ 205.6 through 205.9;

(4) Submit timely a claim for Interest Calculation Costs with its Annual Report, as set forth in § 205.26; or

(5) Submit timely its Annual Report, as set forth in § 205.26.

(c) A State must maintain documentation to substantiate its claim for Interest Calculation Costs. We may require a State to provide documentation to support its interest calculation cost claims. We will review all interest calculation cost claims for reasonableness. If we determine that a cost claim is unreasonable, we will not reimburse a State for that cost, notwithstanding any other provision of this section.

(d) *Eligibility and treatment of Interest Calculation Costs.* (1) Interest Calculation Costs do not include expenses for normal disbursing services, such as processing checks or maintaining records for accounting and reconciliation of cash accounts, or expenses for upgrading or modernizing accounting systems.

(2) Interest Calculation Costs in excess of \$50,000 in any year are not eligible for reimbursement, unless a State can justify to us that the State is unable to develop and maintain clearance patterns in support of interest calculations, or perform the actual calculation of interest, without incurring such costs. Supporting documentation must accompany State requests for reimbursement in excess of \$50,000.

(3) Interest Calculation Costs that a State incurs in fiscal years prior to its most recently completed Annual Report are not eligible for reimbursement.

(4) A State must not include Interest Calculation Costs in its Statewide cost allocation plan, as defined and provided for in OMB Circular A-87. All costs incurred by a State to implement this subpart A, other than Interest Calculation Costs, are subject to the pro-

cedures and principles of OMB Circular A-87.

(e) The payments from the Federal government to individual States to offset Interest Calculation Costs incurred are funded from the aggregate interest payments States make to the Federal government. The following limitations apply:

(1) We will not reduce or adjust interest liabilities for Federal assistance programs funded out of trust funds for which the Secretary is trustee. These programs include, but are not limited to, Unemployment Insurance Trust Fund (CFDA 17.225); Highway & Planning Trust Fund (CFDA 20.205); Airport Improvement Trust Fund (CFDA 20.106); Federal Transit Capital Improvement Trust Fund (CFDA 20.500); Federal Transit Capital & Operating Assistance Trust Fund (CFDA 20.507); and Social Security—Disability Insurance Trust Fund (CFDA 96.001); and

(2) The aggregate payments from the Federal government to States to offset Interest Calculation Costs will not be greater than the aggregate interest payments States make to the Federal government.

§ 205.28 How are interest payments exchanged?

(a) We offset the adjusted total State interest liability and the adjusted total Federal interest liability for each State to determine the net interest payable to or from each specific State. The payment of net interest and any Interest Calculation Costs, as set forth in § 205.27, for the most recently completed fiscal year must occur no later than March 31. We will notify a State of the final net interest liability. A State must submit a claim to receive payment.

(b) A State may appeal a decision by us on interest liabilities and interest calculation cost claims in accordance with § 205.31.

(c) If a State appeals the amount of interest payable in accordance with the provisions of § 205.31, payment must occur by March 31 for any portions not subject to the appeal.

(d) The Federal government will not be liable for interest on any payment of interest to a State.